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CONSOLIDATED CANADIAN FARADAY LIMITED

ANNUAL REPORT

1967



HIGHLIGHTS

Metal Sales	\$3,912,069
Investment Income	\$63,725
NET INCOME	\$69,850
Working Capital	\$1,569,625
Increase in Working Capital	\$462,126

PRODUCTION:

Werner Lake mine—

Nickel	3.9 million lbs.
Copper	2.25 million lbs.
Platinum	891 ounces
Palladium	6,269 ounces

Red Mountain mine—

Molybdenum oxide ...	1.14 million lbs.
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COVER:

A water color rendering of the headframe and surface plant of the Werner Lake mine.

CONSOLIDATED CANADIAN FARADAY LIMITED

Directors: W. CLARKE CAMPBELL
H. BRODIE HICKS
ASHTON W. JOHNSTON
JULES LOEB
DANIEL L. MARCUS
JOHN K. MCC AUSLAND
GEORGE PERLEY-ROBERTSON
GEORGE T. SMITH
ARCHIBALD B. WHITELAW

Officers: ASHTON W. JOHNSTON, *President*
DANIEL L. MARCUS, *Executive Vice-President*
H. BRODIE HICKS, *Vice-President, Operations*
LESLIE E. WETMORE, *Secretary*
WILLIAM M. O'SHAUGHNESSY, *Treasurer*
JOHN A. KING, *Assistant Secretary-Treasurer*

**Registrar and
Transfer Agent:** GUARANTY TRUST COMPANY OF CANADA
Toronto, Montreal, Vancouver

Co-Transfer Agents: BANK OF MONTREAL TRUST COMPANY
New York

Auditors: THORNE, GUNN, HELLIWELL & CHRISTENSON
Toronto

Mine Office: Werner Lake, Ontario



Head Office: Suite 1600, 100 Adelaide Street West, Toronto, Ontario

Directors' Report to the Shareholders

The directors are pleased to present the annual report for the year ended December 31, 1967, including the consolidated financial statements for the year and the auditors' report.

This is the first report of Consolidated Canadian Faraday Limited which came into being early in 1967 through a consolidation of the interests of The Canadian Faraday Corporation Limited, Augustus Exploration Limited and Metal Mines Limited. The three predecessor companies had a number of common interests and the amalgamation has resulted in the elimination of some duplication of effort.

Faraday functions in two capacities, as a mine operator and as an exploration company. The directors, after much consideration, concluded that, for the time being, it is in the best interests of the shareholders to devote a substantial proportion of the cash resources of the company to a broad program of mineral exploration, with particular emphasis on a search for new sources of uranium. Accordingly, payments of dividends were suspended during the year.

URANIUM

The expansion in use of nuclear power in almost all countries of the Western World is proceeding at a rate unanticipated only a short time ago. It is generally agreed that presently known reserves of uranium ore are inadequate for future demand. Accordingly, intensive prospecting is now under way, particularly in Canada and the United States. Faraday is particularly well situated to take advantage of this situation both through its ownership of the Faraday mine and its experience in uranium exploration and production.

The Faraday mine and mill, located in the Bancroft area of Ontario, operated from April 1957 to July 1964, during which time it produced 5,807,693 pounds of uranium oxide. Its closure was brought about by lack of markets and not through exhaustion of the ore. As reported last year, an agreement was reached with Federal Resources Corporation of Salt Lake City, Utah, which is expected to lead to a resumption of production. Federal is currently proceeding with a program of underground development designed to increase the presently known ore reserves and has the right to proceed to rehabilitate the mine and mill. If Federal completes this undertaking, it will have earned a 51% interest in the project. Faraday will retain 49% and, in addition, will receive \$1,000,000 out of future profits.

On the uranium exploration front, the company's geologists considered a number of property submissions, carried out field examinations, when justified, and staked one property on which geophysical work is planned early in 1968. Through participation with others, Faraday has interests in the Johann-Beetz area, north of the Gulf of St. Lawrence in Quebec; in the Beaverlodge area of Saskatchewan and in the Bancroft area of Ontario.



PRODUCTION

The Company's wholly-owned nickel-copper-precious metals mine at Werner Lake, Ontario, operated throughout the year on a routine basis.

Red Mountain Mines Limited, a molybdenite producer near Rossland, British Columbia, completed its first full year of operation and succeeded in increasing tonnage substantially above its rated capacity of 400 tons-per-day. Red Mountain was financed jointly by Faraday and the Canadian Nickel Company through the supplying of \$2,000,000 for construction of plant and for open pit preparation. This sum is being repaid from 80% of profits. Additionally, the two sponsors own 40% of the equity in the company. Management is supplied by Faraday.

GENERAL EXPLORATION

The company maintains its own geological staffs at Toronto and Werner Lake, Ontario, and retains consultants in Vancouver, British Columbia, and Noranda, Quebec. Other technical personnel are available to it both in Canada and the United States. In this way, the Company is able to evaluate any prospects brought to its attention.

Additionally, Faraday participates with others in exploration activities, through prospecting syndicates, in joint work programs, or through purchase of minority share positions in other exploration companies. Current interests, other than uranium, include potash in Manitoba; copper in Quebec and in the Northwest Territories; silver-copper in the southwestern United States.

Further details of both production and exploration activities are set out in the report of the vice-president, operations, which is included in this report.

The directors are pleased to acknowledge the loyal and efficient services of the company's personnel during the year and, in particular, those of the two mine managers, Mr. C. P. Moore, at Werner Lake, and Mr. B. C. Fillingham, at Red Mountain Mines.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read 'A. W. Johnston', written in a cursive style.

President.

Toronto, Ontario,
February 9, 1968.

Report on Operations

The following report summarizes the operations of the company for the year ended December 31, 1967:

WERNER LAKE DIVISION

Production: The mine operated throughout the year at an average rate of 588 tons per day. Concentrate production totalled 21,497 tons with a recoverable metal content of 3,906,731 pounds of nickel, 2,251,317 pounds of copper, 891 ounces of platinum and 6,267 ounces of palladium. The concentrates were sold to The International Nickel Company of Canada at Sudbury, Ontario.

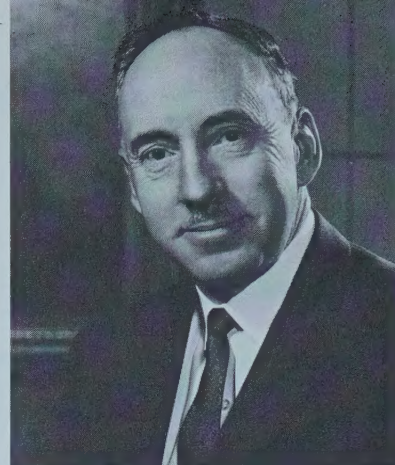
Mining and Development: The limiting factor in production has continued to be the uncertain supply of skilled miners, a problem which is chronic in the area. Accepting this fact, we are endeavouring to compensate for it by placing emphasis on development and mining of larger ore-shoots which are amenable to blast-hole stopping methods. While this is expected to result in a significant reduction in cost, through lower manpower requirements, it should be recognized that ore grade will also be reduced. An overall improvement in profit is, however, anticipated. Most of the development work carried out during the year was directed to these larger, lower-grade ore-bodies.

Milling: Performance figures are tabulated below, with comparative data for four previous years:

	1967	1966	1965	1964	1963
Tons Milled	214,536	211,228	184,364	192,874	136,970
Heads,					
Nickel %	1.17	1.28	1.36	1.22	1.37
Copper %	0.58	0.62	0.64	0.57	0.56
Tails,					
Nickel %	0.21	0.22	0.22	0.20	0.26
Copper %	0.06	0.07	0.06	0.06	0.06
Recovery,					
Nickel %	83.5	84.8	85.4	85.1	82.8
Copper %	90.8	90.3	91.8	89.9	90.0
Concentrates,					
Nickel %	10.25	10.64	11.15	10.74	10.80
Copper %	5.55	5.52	5.54	5.53	4.78

Ore Reserves: Reserves as at December 31, 1967, are tabulated below:

	1967		
	Tons	% Nickel	% Copper
Proven Ore	493,864	1.16	0.71
Probable Ore	110,084	1.04	0.44
Indicated Ore	104,099	1.43	0.45
	708,047	1.18	0.63



Costs: Operating costs continue to show an upward trend, largely due to inflationary forces and low labour productivity. As noted above, it is anticipated that this trend will be reversed in the coming year. Comparative figures per ton:

	1967	1966	1965	1964	1963
Development	\$ 1.02	\$ 0.41	\$ 0.76	\$ 0.77	\$ 1.47
Mining	\$ 9.79	\$10.14	\$ 9.20	\$ 7.78	\$ 7.45
Milling	\$ 2.34	\$ 2.06	\$ 1.86	\$ 1.76	\$ 2.43
Marketing	\$ 1.77	\$ 1.77	\$ 1.76	\$ 1.59	\$ 1.53
	\$14.92	\$14.38	\$13.58	\$11.90	\$12.88

Capital expenditures totalled approximately \$50,000.

BANCROFT DIVISION

Pursuant to its agreement with Faraday, Federal Resources Corporation commenced de-watering of the Bancroft mine early in the summer of 1967 and by year-end the work was virtually complete. Drifting and cross-cutting are now under way with two objectives; first, additional exploration of the known ore zones on the bottom (1,200-foot) level and, second, establishment of a diamond drill base from which depth exploration can be carried out.

RED MOUNTAIN MINES LIMITED

Production: Continuous operation throughout the year, at an average daily rate of 438 tons, was maintained. Production of molybdenum oxide totalled 1,136,956 pounds. Concentrates were sold through the agency of Continental Ore Corporation of New York at satisfactory prices.

Mining and Development: Virtually all production was obtained from the "A" orebody. However, in anticipation of the exhaustion of this shoot in mid-1968, development and stripping of the "Lower B" orebody was commenced during the year. Diamond drilling, totalling 3,431 feet, was carried out, chiefly on the "Lower B", in order to provide detailed information for mine planning.

CONSOLIDATED CANADIAN FARADAY LIMITED

In the course of this work a possible new ore zone has been indicated which will be more fully explored in the coming year.

Milling: Improvement in milling practice permitted an increase in throughput from an average rate of 390 tons per calendar day in the first half of the year to 490 tons in the second half, and it is anticipated that in 1968 this will improve further.

Heads averaged 0.42% MoS₂ and tails 0.065% MoS₂ for recovery of 84.6%. Concentrate grade averaged 91.6% MoS₂.

Ore Reserves: Ore reserves are estimated as follows:

	Tons	% MoS ₂
Proven	446,091	0.33
Probable	300,000	0.33
	<u>746,091</u>	<u>0.33</u>

Costs: Detailed costs per ton are presented below together with comparative figures for the seven months of operation in 1966:

	1967	1966 (7 months)
Development	\$0.18	\$0.04
Mining	0.86	0.90
Milling	2.62	2.78
General Expense	1.11	1.45
	<u>\$4.77</u>	<u>\$5.17</u>

Capital expenditures totalled \$139,217.

PRAIRIE POTASH MINES LIMITED

No further exploration was undertaken during the year. The company's land holdings were maintained intact.

Prairie Potash has a proven orebody, but exploitation must await the development of satisfactory market conditions. At the present time, a state of over-production exists. The situation is reviewed periodically.

HENRIETTA MINES LIMITED

Faraday has a substantial interest in and manages this company, which is exploring and developing a high-grade silver-copper deposit near Silverton, Colorado. At year-end a program of diamond drilling from underground stations was underway.

EXPLORATION

Operating from Werner Lake, two prospecting crews were employed throughout the summer checking geologically favourable areas along the metalliferous belt extending westward to Lac du Bonnet, Manitoba. Emphasis was centred on exploration for nickel and tantalum. Some 75 claims were staked as a result of this work and a geophysical survey will be carried out early in 1968.

In Haliburton County of southeastern Ontario, 71 claims were staked in an area of known uranium mineralization. Ground geophysical surveys are planned for early this year.

A number of property examinations were carried out in many parts of Canada, but none of these resulted in any property acquisitions.

The company participated in a number of prospecting and development syndicates during the year with emphasis on uranium exploration and also on copper. As a result, several interesting situations were developed.

Faraday holds a 30% interest in a group of 709 claims in the Havre St. Pierre area north of the Gulf of St. Lawrence. These were staked as a result of discoveries made in the course of an aerial radioactivity survey. Limited ground work has confirmed the presence of interesting uranium values and systematic exploration is planned for 1968. The aerial survey is to be continued over additional geologically favourable areas.

An approximate 20% interest is held in a newly-formed company which has acquired by staking approximately 1,000 claims in the Coppermine River area of the Northwest Territories and holds options on several additional groups in the same district. Systematic exploration is planned for the Spring of 1968.

A 25% interest was acquired in an option on a copper-nickel property in the Yukon Territory. While some encouragement was received in diamond drilling, no further participation is presently planned.

Respectfully submitted,



Vice-President, Operations.

Toronto, Ontario.
February 9, 1968.

CONSOLIDATED CANADIAN FARADAY LIMITED*(Incorporated under the laws of Ontario)*

and its wholly owned subsidiary N M C Securities Limited

CONSOLIDATED BALANCE SHEET

December 31, 1967

(with comparative figures at December 31, 1966)

(note 1)

ASSETS**CURRENT ASSETS**

	1967	1966
Cash and short-term deposits	\$ 130,383	\$ 174,086
Concentrates, at estimated sales value	1,104,133	1,146,645
Accounts receivable	199,948	181,109
Supplies, at average cost (note 2)	320,747	314,047
Prepaid expenses	28,792	30,384
	<u>1,784,003</u>	<u>1,846,271</u>

INVESTMENT IN NON-CONSOLIDATED SUBSIDIARY COMPANIES (note 3)

Shares, at cost	36,415	36,415
Advances	874,612	864,482
	<u>911,027</u>	<u>900,897</u>
Less allowance for losses	293,000	260,000
	<u>618,027</u>	<u>640,897</u>

OTHER INVESTMENTS (notes 4 and 5)

Shares	1,303,792	1,448,750
Advances	1,121,492	1,170,120
	<u>2,425,284</u>	<u>2,618,870</u>

FIXED ASSETS

Buildings, plant and equipment, at cost	9,824,869	9,776,832
Less accumulated depreciation	7,920,103	7,569,516
	<u>1,904,766</u>	<u>2,207,316</u>
Mining claims, rights, properties and leases (notes 6, 7 and 8)	977,697	948,356
Less accumulated depletion	409,609	409,609
	<u>568,088</u>	<u>538,747</u>
	<u>2,472,854</u>	<u>2,746,063</u>

OTHER ASSETS

Interest in power line, at cost, less recoveries	101,776	132,916
Deferred development expenditures, less amortization (note 9)	166,841	181,125
Special refundable tax	12,171	6,800
	<u>280,788</u>	<u>320,841</u>
	<u>\$7,580,956</u>	<u>\$8,172,942</u>



LIABILITIES

CURRENT LIABILITIES	1967	1966
Accounts payable and accrued liabilities	\$ 203,190	\$ 289,199
Dividends payable (note 10)	11,188	210,873
Ontario mining tax		9,500
Provision for guarantee upon liquidation of subsidiary		229,200
	<u>214,378</u>	<u>738,772</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 11)		
Authorized — 3,500,000 common shares of no par value		
Issued — 2,535,765 shares (2,531,390 in 1966)	<u>3,397,233</u>	<u>3,385,858</u>
CONTRIBUTED SURPLUS (note 12)	1,631,707	1,631,707
RETAINED EARNINGS	<u>2,337,638</u>	<u>2,416,605</u>
	<u>3,969,345</u>	<u>4,048,312</u>
	<u>7,366,578</u>	<u>7,434,170</u>
Approved on behalf of the Board:		
A. W. JOHNSTON, Director.		
H. B. HICKS, Director.		
	<u>\$7,580,956</u>	<u>\$8,172,942</u>

AUDITORS' REPORT

To the Shareholders of Consolidated Canadian Faraday Limited

We have examined the consolidated balance sheet of Consolidated Canadian Faraday Limited and its wholly owned subsidiary N M C Securities Limited as at December 31, 1967 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 22, 1968

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

CONSOLIDATED CANADIAN FARADAY LIMITED

and its wholly owned subsidiary N M C Securities Limited

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31, 1967

Sale of concentrates		\$3,912,069
Operating expenses		<u>3,422,050</u>
		490,019
Investment income		<u>63,725</u>
		553,744
Allowance for losses of non-consolidated subsidiaries	\$ 35,800	
Depreciation	354,469	
Amortization of deferred development	81,889	
Loss on sale of investments	<u>11,736</u>	483,894
Net income for the year (notes 13 and 15)		<u><u>\$ 69,850</u></u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended December 31, 1967

Retained earnings arising on amalgamation		\$2,416,606
Net income for the year		<u>69,850</u>
		2,486,456
Deduct		
Outside exploration	\$ 72,055	
Reorganization expense	55,646	
Cost of mining claims abandoned	13,117	
Obsolete Bancroft mine stores written off	<u>8,000</u>	148,818
Retained earnings at end of year		<u><u>\$2,337,638</u></u>

CONSOLIDATED CANADIAN FARADAY LIMITED
and its wholly owned subsidiary N M C Securities Limited

**CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

Year Ended December 31, 1967

Source of funds

Operations

Net income for the year	\$ 69,850	
Add items not involving a current outlay of funds		
Depreciation	354,469	
Amortization of deferred development	81,889	
Allowance for losses of subsidiaries	33,000	
Loss on sale of investments reflected in net income for the year	11,736	
	<u>550,944</u>	
Proceeds from sale of investments	375,764	
Repayment of Red Mountain Mines Limited advances	73,628	
Decrease in interest in power line	31,140	
Issue of common shares	11,375	\$1,042,851

Application of funds

Purchase of investments	242,359	
Outside exploration	72,055	
Deferred development expenditures	67,605	
Reorganization expenditures	55,646	
Additions to fixed assets	52,101	
Purchase of mining claims	42,458	
Advances to other companies (net)	35,130	
Inventory write-off	8,000	
Special refundable tax	5,371	580,725
	<u>580,725</u>	
Increase in working capital		462,126
Working capital at beginning of year		1,107,499
Working capital at end of year		<u><u>\$1,569,625</u></u>

CONSOLIDATED CANADIAN FARADAY LIMITED

and its wholly owned subsidiary N M C Securities Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 1967

1. FORMATION OF COMPANY

Consolidated Canadian Faraday Limited (Consolidated Faraday) was incorporated by Letters Patent of Amalgamation dated May 4, 1967. The incorporation of the company culminated the proposals of agreements dated December 22, 1966, between The Canadian Faraday Corporation Limited (Faraday), Augustus Exploration Limited (Augustus) and Metal Mines Limited (Metal Mines) and May 3, 1967 between The Canadian Faraday Corporation Limited and Augustus Exploration Limited.

Under the terms of these agreements Faraday and Augustus amalgamated to form Consolidated Canadian Faraday Limited which company then purchased all of the assets and assumed all of the liabilities of Metal Mines.

The mechanics of the transaction were as follows:

- (i) The Augustus shares (702,319 shares) owned by Metal Mines were cancelled.
- (ii) The number of outstanding Augustus shares (3,752,492 shares, after cancellation of 702,319 shares owned by Metal Mines) were reduced to 750,498 shares, a one for five reverse stock split.
- (iii) The Faraday shares (548,822 shares) owned by Augustus, were cancelled, thereby reducing the number of Faraday shares outstanding to 1,213,542 shares.
- (iv) The remaining outstanding shares of Faraday (1,213,542 shares) and the remaining outstanding shares of Augustus (750,498 shares) were converted into shares of Consolidated Faraday on a share for share basis.
- (v) The purchase of Metal Mines was effected by a share consideration consisting of 567,350 shares of capital stock of Consolidated Faraday. Upon receipt of the 567,350 shares of Consolidated Faraday, Metal Mines proceeded to distribute all of said shares to its minority shareholders and terminate its corporate existence. (For each two shares of Metal Mines held, the minority shareholders of Metal Mines received one share of Consolidated Faraday.)
- (vi) Options to purchase an aggregate of 145,000 shares of Metal Mines stock at \$1.30 per

share, then outstanding, were adjusted to permit the purchase of an aggregate of 72,500 shares of stock of Consolidated Faraday at an option price of \$2.60 per share.

- (vii) Options to purchase an aggregate of 66,666 shares of Augustus stock at \$.50 per share, then outstanding, were adjusted to permit the purchase of an aggregate of 13,333 shares of stock of Consolidated Faraday at an option price of \$2.50 per share.

The accompanying consolidated financial statements include the combined operations of the predecessor companies for the period from January 1 to May 4, 1967, together with the operations of Consolidated Canadian Faraday Limited for the balance of the year to December 31, 1967.

The comparative figures as at December 31, 1966 are a mathematical compilation indicating the company's financial position as it would have appeared at December 31, 1966 had the transactions set forth above been consummated at that date.

2. SUPPLIES

Included in this account, after an \$8,000 obsolescence write-off, is \$73,046 representing supplies at the company's Bancroft property. These supplies have been virtually unused since production was ceased on the property in 1964. Some use of the inventory has been made in the current period with sales totalling approximately \$5,000 being made to Federal Resources Corporation which is presently examining the property with a view to putting it into production again. The supplies would be useable by Federal Resources Corporation, but otherwise have limited marketability.

3. INVESTMENT IN NON-CONSOLIDATED SUBSIDIARY COMPANIES

The accounts of subsidiaries other than NMC Securities Limited have not been consolidated because they are not material in relation to those of the company or their operations differ in nature.

The parent company's portion of losses, since acquisition, of non-consolidated subsidiaries has been provided for in the company's accounts. There is no difference in the value of these invest-

ments in the books of the parent company, and its equity as shown by the books of the subsidiary.

4. OTHER INVESTMENTS

This account consists of the following:

Red Mountain Mines Limited (note 5)	
Shares, at nominal value	\$ 1
Advances	927,372
Prairie Potash Mines Limited	
Shares, at cost	180,000
Western Mines Limited	
Shares, at cost (market value \$264,000)	273,820
Smelter Power Corporation	
Advances	159,120
Other mining and exploration companies	
Shares, valued not in excess of cost (market value \$540,000)	849,971
Advances	35,000
	<u>\$2,425,284</u>

Other mining and exploration companies include instances of large share holdings where quoted market values are not necessarily indicative of amounts which might be realized if the shares were to be sold.

Included in the quoted market value of \$540,000 is \$111,500 representing escrowed shares which have been valued at 50% of the quoted market value of free shares.

5. RED MOUNTAIN MINES LIMITED

Under the terms of an agreement with Torwest Resources (1962) Ltd. dated December 15, 1964, Metal Mines Limited,

- (i) Incorporated Red Mountain Mines Limited to commercially develop and operate a molybdenite property near Rossland, British Columbia.
- (ii) Obtained 40% of the issued common shares of Red Mountain.
- (iii) Advanced Red Mountain sufficient funds to commercially develop the property and provided adequate working capital, such advances to be secured by 6% debentures.
- (iv) Received an option to purchase 1,000,000 shares of Torwest at \$1.50 per share up to September 17, 1967. This option has not been exercised.

By an agreement dated February 5, 1965, Metal Mines assigned one-half of its interest in the above agreement to Canadian Nickel Company Limited.

The rights and obligations under the above mentioned agreements now accrue to the new company. (see note 1)

6. MINING CLAIMS, RIGHTS, PROPERTIES AND LEASES

Acquired from Metal Mines Limited	
Claims, rights, properties and leases, at cost	\$ 414,925
Acquired from Augustus Exploration Limited	
Claims, at cost	533,431
Balance acquired on amalgamation	948,356
Subsequently acquired	
Claims and rights, at cost	42,458
	990,814
Subsequently abandoned	13,117
Balance at end of year	<u>\$ 977,697</u>

7. DEPLETION

It is not common practice in Canada for mining companies to make provision for depletion of mining claims, rights, properties and leases and the company's policy is to not make any provision in its accounts.

One of the predecessor companies, Metal Mines Limited did however provide for depletion to the extent of \$409,609.

8. AGREEMENT WITH FEDERAL RESOURCES CORPORATION

Pursuant to the terms of an agreement dated September 8, 1966 between Metal Mines Limited and Federal Resources Corporation, Metal Mines granted Federal the right to investigate the commercial potential of its Bancroft (uranium) property (Consolidated Canadian Faraday Limited has now assumed the position of Metal Mines Limited in this Agreement). If it is deemed advisable by the companies, the property will be re-activated by Federal, which will thereby acquire a 51% interest. The company will retain a 49% interest in the operation.

9. DEFERRED DEVELOPMENT EXPENDITURES

Deferred development costs are amortized on a straight line basis of 25% per annum on cost. Previously Metal Mines Limited amortized these costs at 15% per annum on cost. The change in the amortization rate resulted in an increased charge to income for the year of \$34,728.

10. DIVIDENDS PAYABLE

The amount shown for 1967 represents the residue of dividends declared in prior years and unclaimed to date.

11. CAPITAL STOCK

(a) Issued capital:

In terms of present capitalization, shares have been issued as follows:

	No. of shares	Stated value
To the shareholders of the amalgamated companies:		
The Canadian Faraday Corporation Limited	1,213,542	\$1,651,101
Augustus Exploration Limited	750,498	750,498
To Metal Mines Limited, on acquisition of its net assets	567,350	984,259
	<u>2,531,390</u>	<u>3,385,858</u>
For cash, pursuant to option plan	4,375	11,375
	<u>2,535,765</u>	<u>\$3,397,233</u>

(b) Options:

In 1965 Augustus Exploration Limited reserved 216,000 shares of its capital stock under an incentive option plan for key personnel to be exercisable as follows:

- (1) The option price shall in no event be less than the current market price on the Canadian Stock Exchange and, in any event, not less than 50¢ per share.
- (2) Options shall be exercisable in whole or in part and from time to time but in any event not later than five years from the date of the grant of such option.

Options on 200,000 shares at 50¢ per share were granted under this plan in 1965, of which options on 133,334 shares were exercised in that year.

Options on 66,666 shares, represented by 13,333 shares of the new company remain unexercised as of December 31, 1967.

These options at \$2.50 per share are exercisable on or before May 19, 1970.

In 1966 Metal Mines Limited reserved 150,000 shares of its capital stock under an incentive option plan for key officers to be exercisable as follows:

- (1) The option price shall in no event be less than 85% of the market value of the shares at the date of grant of any option.
- (2) Options shall be exercisable in whole or in part and from time to time but in any event not later than ten years from the date of the grant of such option.

Options on 145,000 shares at \$1.30 per share were granted under this plan in 1966, of which none were exercised in that year.

These options are represented in the new company by options on 72,500 shares of which options on 4,375 shares were exercised in the current year.

Options on 68,125 shares remain unexercised as of December 31, 1967. These options at \$2.60 per share are exercisable on or before June 30, 1975.

12. CONTRIBUTED SURPLUS

Surplus arising upon cancellation of 3,001,994 shares of the capital stock of Augustus Exploration Limited	\$2,935,327
Add excess of par value of shares of Augustus Exploration Limited over the cost of shares owned by Metal Mines Limited	177,633
	<u>3,112,960</u>
Deduct excess of cost of shares over stated value of shares of The Cana- dian Faraday Corporation Limited owned by Augustus Exploration Limited	1,481,253
	<u>\$1,631,707</u>

13. INCOME TAXES

Under the provisions of the Income Tax Act exploration and development expenditures are deductible in arriving at taxable income. Any such expenditures not deducted in one year may be carried forward to be applied against future income. As a result of claiming exploration and development costs in excess of amounts charged to income in the accounts, income taxes otherwise payable and not charged against income for the year, of approximately \$30,000 have been deferred to future years.

14. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by The Corporations Act):

Directors	\$ 53,400
Other employees	62,250

15. Comparison with consolidated statement of income included in annual report prepared in accordance with the requirements of the United States Securities and Exchange Commission

Net income as shown in the accompany- ing consolidated statement of income	\$ 69,850
Deduct	
Outside exploration	\$ 72,055
Cost of mining claims aban- doned	13,117
Obsolete Bancroft mine stores written off	8,000
	<u>93,172</u>
Loss as shown in annual report prepared in accord- ance with requirements of the United States Securities and Exchange Commission	<u>\$ 23,322</u>



CONSOLIDATED CANADIAN FARADAY LIMITED

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CONSOLIDATED CANADIAN FARADAY LIMITED



Report

for the six months period ending June 30, 1967

TO THE SHAREHOLDERS:

ENCLOSED is the company's statement of income for the six month period ended June 30, 1967. In sending this to the shareholders, the directors have considered that, following the recent amalgamation of The Canadian Faraday Corporation Limited and Augustus Exploration Limited and the purchase by the amalgamated company of the assets and undertaking of Metal Mines Limited, there may now be many shareholders who are not fully informed of the scope of operations of Consolidated Canadian Faraday Limited. The following brief review is intended to supply this information.

OPERATING MINES

WERNER LAKE: The company owns and operates a nickel-copper-precious metals mine at Werner Lake, Ontario, about 50 miles north of Kenora, Ontario. The mine is currently processing about 19,000 tons per month of ore grading 1.25% nickel, 0.65% copper and about \$1.40 per ton (net) of platinum group metals.

The mine has been in operation for nearly five years, has ore reserves already blocked out for the next three or four years and conducts a steady programme of exploration and development designed to maintain these reserves. Additionally, a current project is exploration on a regional scale of the favourable local rocks.

Ore is treated at the property to produce a bulk concentrate which is shipped to The International Nickel Company Limited smelter near Sudbury, Ontario, via truck and rail. There is currently a good demand for nickel concentrates and this is expected to continue for the next several years.

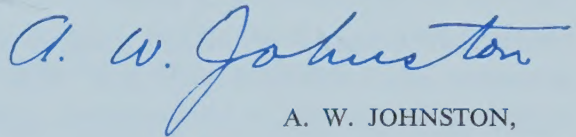
There are approximately 260 employees at the mine, of which about 100 occupy family units and the remainder are housed in modern bunk-houses. The usual recreation facilities provided in bush camps are available.

RED MOUNTAIN MINES LIMITED: This is a 400-ton-per-day, open-pit, molybdenite producer, situated about a mile and a half from Rossland, in south-central British Columbia. Ownership of the property is 60% Torwest Resources Limited, 20% Canadian Nickel Company (the exploration arm of The International

3. Henrietta Mines Limited: This company is conducting exploration on a promising copper-silver property near Silverton, Colorado, and also owns and operates a small custom mill in the area. Faraday holds stock in the company and is currently managing its field operations.
4. A feasibility study will be carried out in the immediate future of a small open-pit, nickel-copper deposit in northwestern Quebec. If the results are satisfactory, consideration will be given to placing the property into production.
5. Faraday has a 25% interest in an option to acquire a nickel-copper property in the Yukon Territory. Geological studies and trenching are now being carried out.

In summary, Faraday has a wide range of interests throughout the mineral field. It is the policy of the directors to continue to seek opportunities to perpetuate and to widen this range.

On behalf of the Board,



A. W. JOHNSTON,

President

July 26, 1967.

Nickel Company of Canada) and 20% Faraday. Faraday manages the operation. Funds in the amount of about \$2,000,000, required to place the property into production, were advanced equally by Canadian Nickel and Faraday who are being repaid, with interest, out of 80% of profits.

Grade of the orebody, averaging 0.43% molybdenite, is unusually good. Ore reserves now blocked out are sufficient for six or seven years' operation and there are additional favourable areas yet to be explored. Some consideration is being given to an increase in treatment rate.

The molybdenite concentrate is now being sold through The Continental Ore Corporation of New York at terms slightly above quoted market figures. A continued strong market for the product is anticipated.

Due to the mine's location, near the town of Rossland, it is not necessary to provide camp facilities for the employees.

BANCROFT URANIUM MINE: From April 1957 to July 1964, this property, under the name of Faraday Uranium Mines Limited, was in continuous production. It treated a total of 2,856,587 tons of ore and shipped 5,784,899 pounds of uranium oxide. Operations were brought to a close because of lack of markets. At the time of shut-down, ore reserves were estimated at 453,250 tons of an average grade of 0.144% U_3O_8 . The two bottom levels are virtually unexplored.

At the time of shut-down, the mine was allowed to flood and most of the mining equipment was sold. The concentrator is largely intact.

Late in 1966, Faraday was approached by Federal Resources Corporation of Salt Lake City, Utah, concerning a proposal to reactivate the mine. An agreement has been reached under which Federal has the right to dewater the mine, carry out additional underground exploration over the next two or three years and, if satisfied with the results, supply the capital necessary to rehabilitate the plant and once more place the property into production. If Federal carries out this full programme, that company will have earned a 51% interest in the mine, with Faraday retaining 49%. The dewatering is already under way.

A substantial increase in demand for uranium is becoming apparent and it is probable that by 1970 or 1971, prices will have returned to a level which will make resumption of operations profitable.

WESTERN MINES LIMITED: Faraday holds a substantial share position in this Vancouver Island gold-silver-copper-lead-zinc producer, which commenced operations early in the current year and is now handling an average of about 1,000 tons per day.

At the date of writing, Western is encountering financial difficulties due to substantial overruns in its construction programme. Once these are overcome, a profitable operation may be anticipated.

EXPLORATION

Faraday maintains its own geological staff in Toronto and retains consultants in Vancouver and Noranda. Other technical personnel are available at many Canadian locations and in Colorado, U.S.A.

In common with other active mining companies, Faraday receives property submissions almost daily. Any that are considered of interest are examined in the field and, where warranted, exploration work is carried out. The company also participates with others in prospecting syndicates, in joint programmes of work on favourable claim groups or by purchase of minority positions in other exploration companies.

At the present time, emphasis is being placed on the search for uranium, but by no means to the exclusion of other minerals. The following notes describe some current projects and may serve to indicate the company's approach to exploration.

URANIUM: A number of uranium prospects have recently been submitted by prospectors and a few examined in the field. At the time of this report, one property, in southwestern Colorado, is being examined. Other uranium interests are:

1. A participation in the Arex Syndicate. A rented aircraft has been fitted with the latest detection devices and is carrying out surveys over favourable areas for uranium deposition.
2. A participation in Enex Mines Limited, a newly-incorporated company with large property holdings in the Beaverlodge area of northern Saskatchewan where exploration will commence in the near future.
3. In association with another company, a study is presently being carried out of uranium-bearing lignite beds in southern Saskatchewan.

OTHER MINERALS:

1. Prairie Potash Mines Limited: Faraday has a substantial interest in this company which has developed a potash property in southwestern Manitoba. Sufficient drilling has been carried out to warrant production as soon as suitable markets are developed.
2. Northlake Mines Limited: Faraday has a participation in and manages this company, which is presently diamond drilling a base metal prospect in the Yukon Territory.

CONSOLIDATED CANADIAN FARADAY LIMITED

And its wholly owned subsidiary, N M C Securities Limited

SIX MONTHS ENDED JUNE 30, 1967

(All figures are subject to final audit)

CONSOLIDATED STATEMENT OF INCOME

Gross Revenue		2,031,000
Operating Costs		<u>1,673,000</u>
		358,000
Profit on sale of investments		<u>5,000</u>
		363,000
DEDUCT:		
Provision for Ontario Mining Tax	2,000	
Depreciation	178,000	
Amortization of deferred development	41,000	
Allowance for losses of subsidiaries not consolidated	<u>20,000</u>	<u>241,000</u>
NET INCOME		<u><u>122,000</u></u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 1967

(All figures are subject to final audit)

FUNDS MADE AVAILABLE:

By operations:

Net income for period		122,000
Add items not involving any outlay of funds		
Depreciation	178,000	
Amortization of deferred development	41,000	
Allowance for losses of subsidiaries ..	<u>20,000</u>	<u>239,000</u>
		361,000
Partial recovery of advance to Red Mountain Mines Limited		55,000
Proceeds from sale of underwritten shares		19,000
Proceeds from sale of investments		2,000
Proceeds from sale of fixed assets		<u>1,000</u>
		438,000

FUNDS APPLIED:

Outside exploration:

Participation in exploration ventures	87,000	
General	<u>23,000</u>	110,000
Deferred development expenditures		68,000
Purchase of underwritten shares		41,000
Purchase of investments		6,000
Additions to fixed assets		46,000
Reorganization expenses		24,000
Advances to subsidiaries not consolidated		18,000
Special refundable tax	<u>5,000</u>	<u>318,000</u>
INCREASE IN WORKING CAPITAL		120,000
Working Capital at beginning of period		<u>1,107,000</u>
WORKING CAPITAL AT END OF PERIOD		<u><u>1,227,000</u></u>
Current Assets		1,680,000
Current Liabilities		<u>453,000</u>
		<u><u>1,227,000</u></u>